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FM AMEMBASSY RANGOON  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 7263  
INFO RUCNASE/ASEAN MEMBER COLLECTIVE  
RUEHBY/AMEMBASSY CANBERRA 0962  
RUEHBJ/AMEMBASSY BEIJING 1768  
RUEHKA/AMEMBASSY DHAKA 4785  
RUEHNE/AMEMBASSY NEW DELHI 4519  
RUEHUL/AMEMBASSY SEOUL 8053  
RUEHKO/AMEMBASSY TOKYO 5614  
RUEHCN/AMCONSUL CHENGDU 1379  
RUEHCHI/AMCONSUL CHIANG MAI 1434  
RUEHCI/AMCONSUL KOLKATA 0237  
RUEAAIA/CIA WASHDC  
RUEATRS/DEPT OF TREASURY WASHDC  
RUEKJCS/DIA WASHDC  
RUEHGV/USMISSION GENEVA 3553  
RHEHNSC/NSC WASHDC  
RUEKJCS/SECDEF WASHDC  
RUEKJCS/Joint STAFF WASHDC  
RUCNDT/USMISSION USUN NEW YORK 1382  
RUEHBS/USEU BRUSSELS

C O N F I D E N T I A L SECTION 01 OF 03 RANGOON 000167

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STATE FOR EAP/MLS, INR/EAP, EEB/TRA  
PACOM FOR FPA  
MONTREAL FOR ICAO REPRESENTATIVE  
TREASURY FOR OASIA, OFAC

E.O. 12958: DECL: 03/04/2018  
TAGS: ECON PREL PGOV EAIR BM  
SUBJECT: AIR BAGAN CRASH RAISES SAFETY QUESTIONS

REF: A. RANGOON 022  
1B. 07 RANGOON 1102

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Classified By: Economic Officer Samantha A. Carl-Yoder for Reasons 1.4  
(b and d)

11. (C) Summary. Air Bagan, one of regime crony Tay Za's companies included on the targeted U.S. sanctions list, continues to grapple with technical and safety issues as its planes experience more difficulties, including a crash in Putao, Northern Kachin State, on February 19. Twenty passengers were injured but there were no fatalities. Despite Air Bagan's statement that the plane crashed due to pilot error, aviation insiders told us that one of the plane's engines had failed, causing the crash and subsequent splitting of the fuselage. In the past three months, Air Bagan has grounded two of its planes for technical reasons. Aviation officials complain that Air Bagan does not file security and maintenance reports with the Directorate General of Civil Aviation, nor are civil aviation authorities allowed to inspect Air Bagan planes. Air Bagan pilots no longer attend simulator training in Singapore, which further jeopardizes passenger safety. Despite technical and financial problems, Air Bagan plans to resume international flights to Singapore in the next few months, using a new A320 it recently purchased from Jordan. End Summary.

Crash Landing

12. (C) On February 19, an Air Bagan-operated ATR-42 plane crash-landed in Putao, Northern Kachin State, during a routine take-off. Twenty of the sixty passengers on board

suffered minor injuries and there were no fatalities. There were no Americans on board. Air Bagan Managing Director Soe Win, who declined to meet with us despite repeated requests because he was "too busy" with the investigation, told us that the news reports about the accident were grossly exaggerated. He told us repeatedly on February 20 that the plane did not crash, but merely "slipped" off the runway due to pilot error. He also stated that the plane sustained minor damage and Air Bagan mechanics could fix the plane in Putao rather than transporting it back to Rangoon.

¶3. (C) In the aftermath of the crash, several aviation contacts told us that Air Bagan's blasé explanation of the crash downplayed the truth. Brett Meltzer, owner of Balloons over Bagan and the Malikha Lodge in Putao, told us that the plane crashed almost immediately after take-off due to engine failure, not pilot error. Passengers on board the plane told Meltzer that the left engine died, causing the plane to crash onto the wet, marshy area north of the runway and fall approximately 20 meters into a ravine. The plane sustained major damage: the fuselage broke in half and one of the wings fell off the plane. Air Bagan CEO Tay Za and his staff of fifty flew to Putao to survey the crash site. Tay Za told Meltzer and his staff that Air Bagan would write off the plane, as it was irreparable.

¶3. (C) Burmese Government aviation officials told Meltzer that it was "lucky" that no one was killed in the crash. Air Bagan and the Ministry of Transportation continue to investigate the cause of the crash and have made no official declarations about the incident. According to aviation officials, Air Bagan has yet to file an accident report with or submit safety documentation to the Directorate General of Civil Aviation.

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#### Is Air Bagan Safe?

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¶4. (C) Since the crash, airline industry insiders have questioned Air Bagan's safety record, noting that Air Bagan has had several near-crashes in the past few months. Simon Kennaworthy, one of Air Bagan's training pilots (who recently quit his job and departed Burma), told us that in January, Air Bagan pilots made an emergency landing in Mandalay because of technical difficulties. According to the training pilot, the plane did not have enough fuel to fly to its original destination of Bagan, only a 20-minute flight from Mandalay. Another Air Bagan plane made an emergency landing on March 2, returning to the Rangoon Airport twenty minutes after take-off because one of its engines "sputtered out," Air Bagan consultant U Zaw Win told us. Myanmar Airways International General Manager Aung Gyi (PROTECT) told us that because of sanctions, Air Bagan pilots can no longer attend flight simulator training in Singapore. Instead, the company trains its pilots on planes used for public transport, which is illegal under Burmese law.

¶5. (C) According to Meltzer, the Directorate General of Civil Aviation has strict orders not to inspect Air Bagan planes, something aviation officials greatly resent. Air Bagan also does not submit proper safety, security, and maintenance records to the Civil Aviation Authority. William Halligan (PROTECT), a former aviation underwriter for MSF Pritchard in London (a subsidiary of Lloyds of London, which insures Air Bagan) told Meltzer that Lloyds of London is unhappy with Air Bagan's lack of documentation and safety manuals. Due to the plane crash in Putao, Lloyds of London plans to increase Air Bagan's insurance rate by 50 percent, Meltzer told us.

#### Up, Up and Away?

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¶6. (C) Despite Air Bagan's safety issues, the airline

continues to fly and plans to expand its international routes in 2008. The airline, which operates eight planes (two A310s, two ATR-72s, two ATR-42s, and two Fokker 100s - see Ref B), has grounded two ATRs for technical problems in the past month. Due to a lack of available planes, Air Bagan has cancelled many flights, shifting planes to cover more profitable routes, and combining flights so that one plane stops at multiple locations during a flight. Air Bagan has lost an estimated 25 percent of its business since the Putao crash, although official figures are unavailable.

¶7. (C) Regardless of Air Bagan's recent problems with domestic flights and lack of financial solvency (Ref A), the company plans to expand its international operations in the coming months. Just last week, the company bought a new jet, an A320, from an airline in Jordan for an undisclosed amount, Aung Gyi told us. Once the plane arrives in Rangoon, Air Bagan plans to use it to resume its flights to Singapore. The airline is also planning to sell its two A310s, or at least lease them to another airline, Aung Gyi noted. Tay Za has met with several potential clients in the past two months, although no one has expressed real interest in buying or leasing the planes because the plane's operating costs are too high, he explained.

Comment

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¶8. (C) Air Bagan continues to fly, not because it is a

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stellar airline with a great record, but because Tay Za injects his own capital into the company and the Burmese regime affords it certain protections and exemptions from aviation regulations. Air Bagan's continued operations, despite its high debt, lack of maintenance, and questionable safety record, is a clear example of the symbiotic relationship between the Than Shwe regime and the cronies. However, as Air Bagan's questionable safety records becomes better known, it will lose business. Singapore aviation authorities are not likely to be so accommodating to Air Bagan. As Burma's tourist season comes to an end, those living in Burma will be taking the biggest risk, as they have few options for traveling around this large country.

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